

Message Text

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ACTION OPIC-02

INFO OCT-01 SS-14 ISO-00 AF-04 EB-03 NSC-07 NSCE-00 INRE-00

L-02 COME-00 SSO-00 CIAE-00 INR-10 NSAE-00 /043 W

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O 240446Z MAY 74

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC IMMEDIATE 188

INFO AMEMBASSY ABIDJAN IMMEDIATE

AMEMBASSY NAIROBI IMMEDIATE

C O N F I D E N T I A L LUSAKA 1006

LIMDIS

E.O. 11652: GDS

TAGS: EFIN, ZA

SUBJECT: TAW

ABIDJAN AND NAIROBI FOR GREGG

REF: LUSAKA 990

1. SUMMARY. AMBASSADOR HAD HOUR-LONG CONVERSATION WITH TOM WOOD MAY 23 DURING WHICH HE DESCRIBED CURRENT STATUS OF CASE AS "WAITING FOR PRESIDENT'S PERSONAL REVIEW AND DECISION, HOPEFULLY SOON." WOOD AWARE OF GREGG PROPOSAL TO VISIT ZAMBIA FROM EARLIER CONTACT WITH HIM BUT SHARES EMBASSY'S RESERVATIONS ABOUT UTILITY AND POSSIBLE INTERPRETATION OF SUCH A VISIT AT THIS TIME. YET GREGG WELCOME IF HE DECIDES TO COME. END SUMMARY.

2. WOOD REPORTED HE HAD THREE AND A HALF HOUR LONG DINNER CONVERSATION MAY 10 WITH PRESIDENT KAUNDA IN COMPANY OF MINISTER OF HOME AFFAIRS AARON MILNER.. SUBSEQUENTLY, AT PRESIDENT'S REQUEST WOOD PROVIDED STATE HOUSE WITH CHRONOLOGICAL HISTORY OF CASE FROM JANUARY 1973 TO DATE. WOOD SEES PRESIDENT AS CONFRONTED WITH THREE OPTIONS: (A) INTERNATIONAL ARBITRATION, (B) REINSTATEMENT OF CONTRACT, CONFIDENTIAL

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AND (C) SOME QUIET SETTLEMENT DIRECTLY BETWEEN PARTIES TO

DISPUTE.

3. WOOD DOUBTS KAUNDA WILL OPT FOR ARBITRATION BECAUSE OF ADVERSE REFLECTION THIS WOULD HAVE ON ZAMBIA'S BUSINESS CLIMATE AND POSSIBLY ON ITS CREDIT POSITION IN INTERNATIONAL BANKING CIRCLES. HE ALSO DOUBTS PRESIDENT WILL WANT TO REINSTATE CONTRACT AS HE MAY FIND COST TOO HIGH. THUS WOOD SEEMS TO FAVOR PRIVATE QUIET SETTLEMENT, ESPECIALLY AS HE ANXIOUS TO RELIEVE HIMSELF OF PERSONAL AND COMPANY INDEBTEDNESS TO BANKS AND SPOKE FREQUENTLY OF 1.9 MILLION DOLLAR PROMISSARY NOTE TO BE PAID OFF. HOWEVER, UNDER THIS OPTION, TO SATISFY WOOD, ANY SETTLEMENT WOULD HAVE TO BE ALL-INCLUSIVE, THAT IS DAMAGES FOR REPUDIATION OF CONTRACT PLUS SALE OF TAW TRUCKS IN ZAMBIA WHICH ARE WOOD'S MAJOR BARGAINING COUNTER.

4. WOOD STRESSED THAT TAW'S CASE HANGS ON SIWO WAIVER LETTER OF OCTOBER 22, 1973, COPY OF WHICH HE HANDED OVER. IN IT GRZ UNDERTOOK TO ACCEPT 330 HORSES AND 430 TRAILERS. SUBSEQUENT SIWO LETTER REAFFIRMED GRZ AGREEMENTS WITH TAW AS "LEGAL, VALID AND BINDING OBLIGATIONS OF THE GRZ." WOOD CLAIMS THAT SIWO WAIVER HAS MYSTERIOUSLY DISAPPEARED FROM THE ZAMBIAN GOVERNMENT FILES. FURTHER IT WAS NOT RPT NOT GIVEN TO UN LEGAL ADVISOR WHOSE OPINION (FOR LACK OF WAIVER LETTER) WAS FAVORABLE TO GRZ AGAINST TAW.

5. WOOD SAID HE WAS VERY FRANK WITH PRESIDENT KAUNDA IN TELLING HIM THAT ALL THE FACTS IN THE CASE HAD NOT RPT NOT BEEN BROUGHT TO HIS PERSONAL ATTENTION BY SUBORDINATES. HE GAINED IMPRESSION KAUNDA WAS SYMPATHETIC TO TAW'S SIDE OF STORY, BUT UNDERSTANDABLY WITHOUT COMMENT WHEN WOOD EXPLAINED TAW'S DIFFICULTIES IN POLITICAL TERMS. WOOD STILL FEELS THAT ZAMBIAN INTERNAL POLITICS AS WELL AS COMMERCIAL FORCES WORKED AGAINST TAW'S SUCCESS IN ZAMBIA. HE CONTINUES TO FEEL TAW WAS MADE A TEST OF POLITICAL STRENGTH BETWEEN THE EASTERN GROUP WHICH HAD SUPPORTED CONTRACT (MILNER, SOKO, BANDA, SIWO) AND BEMBA-TONGA ALLIANCE WHICH OPPOSED IT (MAINZA CHONA, CHISANGA, CHIKWANDA, KASHITA AND MWAANGA). ON COMMERCIAL SIDE TAW BECAME TEST BETWEEN ENTRENCHED EUROPEAN AND OTHER FOREIGN TRADE INTERESTS

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UNDER LONRHO TRADE UMBRELLA (COMPRISING JAPANESE NISSANS, AS WELL) AND INCURSIONS FROM NEW AMERICAN GROUP. PRIME MINISTER CHONA DESCRIBED AS HAVING PRESIDENTIAL AMBITIONS AND MASTERMIND OF BEMBA-TONGA ALLIANCE. WOOD SAID CHONA UNDER MISAPREHENSION TAW IS MERELY AN EXTENSION OF USG ECONOMIC ASSISTANCE EFFORTS IN ZAMBIA, IF NOT A CREATURE OF USG AND NOT A PRIVATE COMMERCIAL INTITY. INDEED, THIS WAS CONFIRMED IN ALMOST IDENTICAL TERMS IN TELEPHONE

INQUIRY EMBASSY RECEIVED FROM THE PRIME MINISTER ON MAY 6 (DCM MEMCON OF SAME DATE BEING POUCHED AF/E). CHONA FOUND IT HARD TO ACCEPT DCM'S EXPLANATION TAW CASE IS COMMERCIAL DISPUTE BETWEEN PRIVATE US FIRM AND GRZ.

6. IF TOM WOOD'S APPRECIATION OF POLITICAL FACTORS SURROUNDING CASE IS REASONABLY ACCURATE (AND WE SUSPECT IT IS BASED AS IT UNDOUBTEDLY MUST BE ON AARON MILNER'S INSIDE VIEW), WE WONDER WHAT GREGG COULD ACHIEVE UNDER PRESENT COMPLICATED CIRCUMSTANCES AND CLEAVAGE OF POLITICAL FORCES IN GOVERNMENT, BUT MORE IMPORTANT, GIVEN HIGHEST LEVEL REVIEW OF CASE WHICH WOOD NOW ENGAGED IN. WOOD IS HOPING FOR FINAL AND DECISIVE MEETING WITH PRESIDENT IN NEXT WEEK OR TEN DAYS BUT REALIZES KAUNDA EMERSED IN SOUTHERN AFRICAN LIBERATION QUESTION WITH VISITING CHIEFS OF STATE.

7. WOOD SUGGESTED GREGG MEET WITH PETER SIWO AND AXON SOKO WHO COULD BE COUNTED ON TO ASSURE HIM OF THEIR DETERMINATION TO TESTIFY ON FACTS IN CASE IN PROTESTING GRZ REPUDIATION OF THE CONTRACT. OR WZ MIGHT ATTEMPT TO ARRANGE A MEETING WITH PRIME MINISTER CHONA WHICH COULD HELP TO CLARIFY USG INTEREST IN CASE AND ONLY INDIRECT US INVOLVEMENT OF PRIVATE COMMERCIAL VENTURE, ALSO TO MAKE POINTS ON PROBLEMS POSED FOR OPIC AND OTHER PRIVATE LENDERS. WE RAISE NO FORMAL OBJECTIONS TO VISIT BUT LEAVE IT TO GREGG'S DISCRETION IN VIEW OF CIRCUMSTANCES. HE WOULD BE MOST WELCOME AT EMBASSY IF HE DECIDES TO COME.

8. WOOD IS INCLINED TO AGREE WITH US THAT A VISIT AT THIS TIME COULD BE MISINTERPRETED BY ELEMENTS IN GRZ AND COULD DELAY HIS NEXT MEETING WITH PRESIDENT, ALTHOUGH HE HAS NO PERSONAL OBJECTIONS TO SEEING GREGG HERE AT THIS TIME. HE HAS SUGGESTED ALTERNATIVE POSSIBILITY OF SEEING

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GREGG IN NAIROBI WITHIN NEXT FEW DAYS WHILE HE IS WAITING ON PRESIDENT'S CALL WHICH MAY COME LATER RATHER THAN SOONER, GIVEN HIS PERSONAL INVOLVEMENT IN OTHER FAR MORE PRESSING ISSUES. WOOD STILL UNCERTAIN RE TIMING HIS REQUESTED APPOINTMENT WITH PRESIDENT HOUPHOUET-BOIGNY.

WILKOWSKI

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